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THE IMPACT OF EUROPEAN UNION POLICIES ON FRUIT AND VEGETABLE IMPORTS FROM SUB-SAHARAN AFRICA

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The Impact of European Union Policies on Fruit and Vegetable Imports from Sub-Saharan Africa

by

Antonique Koning[1]

I. Fruit and Vegetable Exports from Sub-Saharan Africa to the European Union

The European Union (EU) is an important outlet for horticultural products for a growing number of developing countries. In the second half of the 1980s over 40 percent of all developing countries' exports of fruit and vegetable products went to the EU market (table 1). Almost two-thirds of the horticultural exports from Sub-Saharan Africa were destined for the EU by the end of the 1980s.

In 1992 around 63 percent of EU imports of fresh and processed fruit and vegetables came from developing countries, compared with only 47 percent in 1976. Asian and Mediterranean countries supplied most fruit and vegetable imports in 1992 (17 percent each), while Latin American countries supplied approximately 14 percent, and Sub-Saharan Africa[2] supplied four percent. The rest of the imports originated from South Africa (five percent) and North America (32 percent). The share of fruit and vegetables in total exports from developing countries to the EU grew from three to five percent between 1976 and 1992. This growth was largely accounted for by Latin American countries that expanded exports from three to eight percent. Mediterranean and Asian exporters of horticultural products lost market share in the EU during this period, dropping from 14 to seven percent, and seven to four percent, respectively.

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[2] In this chapter South Africa is excluded from the countries included in the term Sub-Saharan Africa.

Table 1. Share of the EU in Total Horticultural Exports from Developing Countries (percent)

	1971/75	*1981/84*	*1985/89*
Mediterranean	64	52	58
Sub-Saharan Africa	51	57	65
Asia	48	46	40
Latin America	22	27	32
All LDCs	43	39	42

Source: Alvarez-Coque and Bautista (1994)

Producers of fresh and processed fruit and vegetables in Sub-Saharan Africa (SSA) have succeeded in expanding their exports to the European Union during the past two decades. The value of their exports went up from approximately 217 million ecu in 1976 to 486 million ecu[3] in 1992, and currently account for three percent of all SSA exports to the EU, compared to 2.3 percent in 1976. Although at present the origin of these exports is fairly concentrated in only a few SSA countries other countries in the region also have the potential to move into the horticultural sector and export to the EU.

Fruit and vegetable exports from SSA to the EU are regulated by a complex network of restrictions and special preferential access to the market. In section II of this paper, the regulatory environment for horticultural[4] exports to the European Union, in particular the Common Agricultural Policy, is discussed together with the special trade preferences that SSA exports enjoy under the Lomé Convention. The impact of the market access regulations is assessed and related to the performance of African, Caribbean and Pacific (ACP) countries' exports to the EU of fruit and vegetables. A comparison is also made between the preferential access and trade performance of SSA exporters compared to other developing country regions in the sector. In section III, anticipated changes in the regulations and organization of the EU market for fruit and vegetables are described, such as those stemming from the Uruguay Round and the enlargement of the EU. The possible effects of these changes on current and potential SSA exporters of horticultural exports are examined. In addition, attention is paid to the possibility of South Africa joining the

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[3] Exchange rates for the ecu in 1976 and 1992 were U.S.$1.118/ecu and U.S. $1.297/ecu, respectively.

[4] In this paper horticultural products are used as a synonym for fruit and vegetable products, excluding flowers and plants which are usually included in the term.

Convention and the future for Lomé preferences, especially after the current Convention runs out at the end of 1999.

II. The Impact of the EU Regulatory Environment on SSA Horticultural Exports from Sub-Saharan Africa

A. Exports of SSA Fruit and Vegetables to the EU Market

SSA exports of fresh and processed fruit and vegetables to the EU market have expanded at an average rate of around six percent per annum since 1976 rising to 486 million ecu in 1992. SSA's share of imports to the EU from outside its twelve member states fell slightly from 4.6 percent in 1976 to 4.2 percent in 1992, with a peak of 5.1 percent in 1986 (Eurostat data). In 1992 fresh fruit and fruit preparations from SSA had a relatively significant share of the EU market: 5.1 percent and 8.5 percent, respectively. Exports are fairly concentrated in a few products and from a small number of exporting countries.

More than 84 percent of SSA fruit and vegetable exports were in fresh products and a smaller share was in processed products, especially canned fruit and fruit juices. The main SSA fruit exports to the European market are bananas, pineapples, avocados, citrus fruit, melons, papayas, apples and pears, and "other fresh fruit"[5], including strawberries. Vegetable exports are concentrated in leguminous vegetables, such as peas and beans, sweet peppers and other fruits of the genus *Capsicum*, and kidney beans. In 1992, almost 94 percent of all the fruit and vegetable exports from the Sub-Saharan African region to the EU came from only 10 (out of 46) countries. In order of magnitude of their exports, these countries are: Côte d'Ivoire, Kenya, Cameroon, Swaziland, Madagascar, Zimbabwe, Tanzania, Burkina Faso, Senegal, and the smallest exporter, Ghana. Table 2 reports their main exports and their average annual growth rates.

[5] This category is classified as CN 0810 in the Combined Nomenclature of the EU which contains the tariff lines for all imports to an 8-digit level.

Table 2. Main Exporters of Fruit and Vegetables in Sub-Saharan Africa in 1992.

	Value of Fruit and Vegetable Exports to EU (m. ecu)	Share of SSA Exports of Fruit and Veg. to EU (%)	Share of Country's Total Exports (%)	Av. Annual Growth Rate of Exports, 1980-92 (%)	Main Exports
Côte d'Ivoire	185	38	12	5	bananas, pineapple, mango/guava, papaya
Kenya	110	23	21	11	green beans, fruits of genus Capsicum, avocadoes, prepared fruit, fruit juice
Cameroon	69	14	6	13	bananas, fruit juice
Swaziland	24	5	19	6	grapefruit, oranges, prepared fruit, fruit juice
Madagascar	19	4	11	36	kiwi fruit
Zimbabwe	12	3	2	50	peas, beans, oranges
Tanzania	11	2	7	16	beans, kidney beans, cassava
Burkina Faso	9	2	15	27	green beans, mangoes/guava
Senegal	7	2	3	4	green beans, peppers, melons
Ghana	7	1	1.2	32	fruits of genus *Capsicum*, sweet peppers, mangoes, pineapples
Total	**453**	**94** [a]	**N.A.**	**N.A.**	

[a] Only 6% of the imports came from the rest of SSA.

Source: Eurostat

Table 3. Exports of Sub-Saharan Africa and Other Developing Countries to the EU in 1992: Value (thousands ecu), Share of Total Exports to the EU (percent), and Share of the EU Market for Horticultural Products (percent)

Region/ country	Fresh vegetables	Fresh fruit	Prepared vegetables	Prepared fruit	Total fruit and vegetables	Share of fruit and veg. in total exports to EU
Sub-Saharan Africa	92,349	317,102	7,751	68,470	485,672	3.01
% of extra-eu[a]	2.99	5.10	1.51	9.71	4.20	
ACP (69)	100,664	597,710	8,294	76,638	783,306	4.36
% of extra-eu	3.26	9.62	1.62	10.7	6.77	
Turkey	111,212	479,688	76,344	141,020	808,264	12.27
% of extra-eu	3.60	7.72	14.90	8.01	6.98	
Maghreb	191,065	238,561	58,507	24,337	512,470	4.05
% of extra-eu	6.19	3.84	11.42	3.04	4.43	
South Africa	16,436	505,448	2,037	89,830	613,751	6.75
% of extra-eu	0.53	8.13	0.40	12.24	5.30	
Brazil	5,323	106,564	282	536,351	648,520	7.10
% of extra-eu	0.17	1.71	0.06	49.61	5.60	
Chile	27,583	474,931	1,120	4,152	507,786	20.86
% of extra-eu	0.89	7.64	0.22	0.53	4.39	
Thailand	1,066,106	8,754	18,008	147,811	1,240,679	21.99
% of extra-eu	34.54	0.14	3.51	20.91	10.72	

Source: Eurostat

a: Percent in table refers to share of extra EU imports. This excludes intra-EU trade.

Potential producers that are starting to develop an export base in fruit and vegetable products are Mozambique (grapefruit), Ethiopia (leguminous vegetables), the Gambia (eggplants, mangoes), Guinea (pineapple), Namibia (grapes), and Lesotho (prepared vegetables).

The competition that SSA exporters face in the EU market comes mainly from South Africa, Mediterranean countries, Chile, Brazil, and Thailand, as is indicated in table x-3. Thailand

and Turkey are the largest single competitors, accounting for 11 and 7 percent of the EU's exports of fruit and vegetable products, respectively. Thailand has a 34 percent share of the EU market for fresh vegetables imported. South Africa, Chile, and Turkey are the main fresh fruit exporters outside the ACP group (which includes Caribbean banana exports). Exports of vegetable preparations originate mainly from the Southern Mediterranean, Turkey, and countries in the Maghreb region. SSA exports of prepared and preserved fruit, including fruit juices, face heavy competition from Thailand, South Africa and Brazil (the latter for fruit juices in particular).

B. The Impact of the EU Common Agriculture Policy and Preferences

Access to the European market for fruit and vegetables is restricted by the Common Agriculture Policy (CAP) which is designed to protect European farmers. Although the horticultural subsector has always been more market oriented than other CAP regimes, such as those for sugar and meat, there is a considerable degree of intervention. According to CAP regulations, the EU levies an *ad valorem* tariff on imports of fruit and vegetables, and also establishes an annual reference price for each product. Reference prices are prices that the European commission sets for agricultural products in order to protect European farmers. This reference price with the tariff added to it constitutes the minimum price for the fruit and vegetable products imported into the EU market. When third countries, non-EU member states, offer their products at a c.i.f. price below that minimum, the EU imposes a countervailing levy so that the required price is reached and the import price exceeds the domestic price (CBI, 1993).

The tariffs imposed on fruit and vegetable products vary enormously depending on competition with domestic products. They also vary (i) by type of fruit or vegetable, (ii) season, and (iii) the form in which it is produced and exported. Fresh fruit and vegetables which are produced in the EU, such as citrus fruit, face higher import barriers than more exotic tropical products, such as pineapples and mangoes. For many domestically produced fruits and vegetables, domestically produced, the tariffs imposed on imports vary during the year depending on the season in which European farmers market their products (for ex., tomatoes, grapes, and apples). To give a few examples, the import tariff for papayas is six percent, and nine percent for pineapples throughout the year. In contrast, oranges exported to the EU face a 20 percent tariff between 16 October and 31 March, but only four percent between 16 May and 15 October.[6] Since processed fruit and vegetables are not significantly influenced by seasonal pressures and compete with European products year round, they are generally subject to higher tariffs than are fresh products. In the EU tariff schedule the average tariffs for fresh fruit and vegetables are 6.7 percent and 7.7 percent, respectively, while for processed products these tariffs are 15.1 percent and 16.6 percent, respectively (Finger and Olechowski, 1987). The difference between tariffs on processed

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[6] These are pre-Uruguay Round rates. The EU offered a 20 percent reduction to these tariffs in the Uruguay Round, so they will be lowered during implementation in the next five years.

and unprocessed forms of the same products implies a high rate of protection for the domestic processing industry.

Sub-Saharan African exporters of agricultural products have been offered concessions to these Common Agricultural Policy restrictions under the Lomé Convention since it was renewed for the second time in 1981 (Article 168 of the Lomé Convention). The Convention is a contractual agreement between the EU and currently 70 African, Caribbean and Pacific (ACP) states, which contains aid and trade provisions.[7] The Lomé Convention aims at promoting and diversifying ACP exports to the EU, and thereby decreasing ACP dependency on primary exports. The trade provisions consist of different elements but most significant are the preferential access for most ACP exports to the EU, and Special Protocols which exist for exports of highly protected products (e.g. bananas) to the EU. The underlying assumption of these preferences is that the protection afforded to some producers in the ACP countries is reduced in order to give them a price-competitive advantage which would help develop their exports to the EU market. In addition, the EU has a scheme for the stabilization of ACP export earnings (STABEX) covering particular agricultural primary products, including bananas, mango, peas, and beans. As part of the Convention, the EU also assists in promoting ACP exports to the EU by providing funds for exporters to participate in European trade fairs, such as the ANUGA fruit and vegetable trade fair in Germany.

ACP states enjoy more favorable access for their agricultural exports to the EU market than any other trading partner of the EU. The concessions from the CAP in their favor, however, are fairly complicated. They consist of full or partial rebates of the ad valorem tariff for some fresh and processed fruit and vegetable products for which other exporters pay the full Common Customs Tariff (CCT).

Table 4 gives examples of the preferences for some significant fresh fruit and vegetable exports from the ACP to the EU. The first group of products, including leguminous vegetables, sweet peppers, melons, and papayas, enters the market duty- and quota-free. For the other examples listed, there is a progressive abolition of the customs duties or a reduction of the duty in a particular period of the year, corresponding to the off-season in Europe. Those preferences are restricted by quotas, as indicated in the last column of table 4, which can be as small as 100 tonnes (for winter cucumbers). Above the quota and during the European marketing season, SSA horticultural exports are subject to the Most Favored Nations (MFN) tariff, which is the Common Customs Tariff (CCT) levied on imports in generalby all members of the EU. The preferential treatment does not affect the reference price system so SSA exporters still need to comply with the minimum price.

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[7] The ACP group expanded in 1993 when Eritrea signed the Lomé Convention. Thus, ACP members increased from 69 in 1992 to 70 in 1993.

Table 4. Examples of Preferences Resulting from the Lomé Convention for Fruit and Vegetable Exports from African, Caribbean and Pacific States

Regime	*Product(s)*	*Quota (tonnes)*
Exemption from customs duties without marketing timetable	Radishes, leguminous vegetables, eggplants, celery other than celeriac, sweet peppers, zucchinis, other vegetables, pistachios, pecans, other nuts, grapefruit, other citrus fruit, limes, melons, papayas, fruit of the species *Vaccinium myrtillus*, other fresh fruit	None
Reduction of the duty by 60 percent	Tomatoes (other than cherry tomatoes), from 15 November to 30 April	2,000
Progressive abolition of the customs duty	Garlic, from 1 February to 31 May	500
Progressive abolition of the customs duty	Small winter cucumbers	100
• Progressive abolition of the customs duty from 15 August to 15 January • 40 percent reduction from 16 January to 31 January	Asparagus	
Progressive abolition of the customs duty from 1 November to 30 April	Figs (fresh)	200
• Progressive abolition of the customs duty from 15 May to 30 September • Above this quantity, and throughout the year, an 80 percent reduction of the customs duty	Oranges	25,000
• Progressive abolition of the customs duty from 15 May to 30 September • Above this quantity, and throughout the year, an 80 percent reduction of the customs duty	Mandarins and other similar citrus hybrids	4,000
Progressive reduction of the customs duty by 50 percent	Apples	1,000
Progressive reduction of the customs duty by 50 percent	Pears	1,000
Progressive reduction of the customs duty from 15 December to 31 March	Plums	2,000
Progressive abolition of customs duty from 1 November to end February	Strawberries	1,500

Source: Fourth Lomé Convention, Annex XL, (1989) pp. 279-282

The MFN tariff for some products for which SSA exporters have duty-free access during the whole year has been rather high. For example, the rates for leguminous vegetables are 15 percent, eggplants are 16 percent, and melons are 11 percent. Not only do SSA exporters of fruit and vegetables have a preferential margin over industrialized exporters, but also over other developing countries. The EU's Generalized System of Preferences, which offers preferential access to exports from Asia and Latin America and, recently, from South Africa (see section III.D below) is not as generous as the Lomé Convention. These countries only have duty-free access to the EU for a few fruit and vegetable products, such as chickpeas and horseradish. For a limited number of other horticultural products, such as mandarins, avocados, guavas, melons, and dried plantains, they benefit from only a small reduction in the MFN tariff.

Apart from CAP concessions on various fruit and vegetables, a special Banana Protocol protects the traditional ACP suppliers of bananas to the EU, which are mainly small islands in the Caribbean. In Africa, Côte d'Ivoire, Cameroon, Somalia, and Cape Verde benefit from the protocol which allows duty-free, but quota-constrained, access to the EU. ACP banana producers are in this way protected against exports from more price-efficient Latin American producers.

The impact of the Lomé preferences on ACP trade performance in general has been ambiguous and hard to demonstrate. According to Page, evidence of a large expansion of ACP trade with the EU or significant diversification in non-traditional exports is hard to find at an aggregate level. During the decades in which the ACP states benefitted from EU preferences, their market share dropped from 6.3 percent in 1976 to 3.3 percent in 1992. In the last ten years, the value of their exports to the EU has declined as well. Most of this decline was accounted for by an increase in Sub-Saharan African exports. Nevertheless, the good performance of some ACP countries in particular commodities might have been stimulated by Lomé preferences. "Success stories" of countries that have been able to benefit from the Lomé preferences and to diversify their exports into processed/manufactured products include Mauritius, Jamaica, Fiji, and Zimbabwe. McQueen and Stevens identified a set of non-traditional products which have experienced rapid export growth to the EU market and have benefitted from the Lomé preferences. These include temperate vegetables, in particular green beans, and processed tropical agricultural products, mainly canned fruit and fruit juices. Although they admitted that the correlation between this growth and the preferences granted for these products was small, they interpreted it as evidence of the value and further potential importance of preferences.

Trade statistics show that the SSA countries retained their share of EU imports of horticultural products at around four percent between 1980 and 1992. Although this is no clear evidence of the competitiveness of SSA horticultural products in the EU market, it is significant compared to the 50 percent reduction in the share of their overall exports to the EU in those 12 years (from 6.1 percent to 3.3 percent). The good performance of fruit and vegetable exports relative to total exports is even more apparent for the top 10 SSA fruit and vegetables exporters listed in table 2. These countries saw their share of the EU market in horticultural products almost triple from 1.4 percent in 1980 to 3.9 percent in 1992, while their share of total exports to the EU dropped from 1.3 percent to 1 percent in the same period. The average annual growth rate of the top 10 SSA exporters of horticultural products to the EU between 1980 and 1992 amounted to 7.3 percent, compared to 3.8 percent for their total trade to the EU over the same period. Moreover, these countries not only managed to expand their exports and increase their market share in the EU, but they also diversified into higher value fruit and vegetables, such as green beans, strawberries, canned pineapple, and fruit juices, for which they enjoy the highest preferences due to the protection of high CCTs. This evidence suggests that SSA exporters of horticultural products were more successful in trading with the EU than exporters of other products. However, one needs to be careful in attributing the successful performance of horticultural exports (by only a concentrated number of SSA countries) to the Lomé preferences.

Considering the quotas attached to the Lomé preferences on horticultural exports, it is obvious that there is great potential for SSA exporters to the EU. In 1992, apart from the quotas for apples and pears which were exceeded, and the quotas for oranges and mandarins which were nearly filled by ACP exporters, the preferences are largely underutilized by SSA exporters. The reasons for this vary from country to country. Many exporters are unaware of the preferences available or face distribution and transport problems, such as inadequate cold storage or shortage of air transport capacity. Other problems relate to production, such as problems with attracting investment to improve or increase the capacity of processing plants, or to the marketing of SSA horticultural exports in the EU market. It is difficult to get brand recognition in a market that is dominated by large supermarket chains (CTA, 1994a).

A study undertaken in 1993 by Alvarez-Coque and Bautista attempted to isolate the effect of trade preferences on aggregate exports of fruit and vegetables to the EU market. They used a decomposition model that identified the sources of change in EU imports between 1975 to 1979, and 1985 to 1989.[8] They looked at several developing country regions and associated the sources of change with (i) each region's international competitiveness, (ii) the relative openness of the EU market, (iii) EU global import growth, and (iv) the degree of trade preferences enjoyed by the region. The authors concluded that the main reason for growth in exports of fruit and vegetables from developing countries to the EU market during this period was attributed to the global import growth effect. However, the effect seemed to be partly counteracted by the increase of intra-EU supply. For Sub-Saharan African exports the decrease in non-EU supply seemed to affect processed products in particular. This suggests that the protective attitude of the EU against imports of fruit and vegetables has restricted developing country exports. The results did not demonstrate a strong correlation between the performance of developing country exports in the horticultural sector and the preferential access they enjoy in the EU market. In the case of Sub-Saharan African fruit and vegetables exports, which are most privileged, the analysis shows that preferences had only a minor positive impact, and no significant impact on fruit and processed

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[8] The model is a decomposition analysis of fruit and vegetable exports from developing country regions to the EU. The regions involved in the study are the Maghreb, other Mediterranean, ACP Africa, Caribbean region, Central America, Andean-Brazil, Southern Cone, Southeast Asia and South Asia.

vegetable exports to the EU. Despite their less favorable access to the EU market among the developing countries, some Asian and Latin American countries have experienced larger increases in exports of fruit and vegetables than some other developing countries and are the fiercest competitors in the EU market. This experience suggests that many factors besides preferences play major roles in influencing exports to the EU.

C. Preferential Treatment of Other Developing Countries Affecting SSA Exporters

During the past two decades competitors in the Southern Mediterranean region have also enjoyed improved access to the EU market for their fruit and vegetables exports. Although they have been in a less favorable position than the ACP states, the increase in these preferences over time has made some impact on horticultural exports from Sub-Saharan Africa. Since the late 1970s, the EU has held special bilateral agreements with several Northern and Southern Mediterranean countries giving them preferential access to the European market. Spain and Portugal, both significant suppliers of fruit and vegetables to the EU, acceded to the EU in 1986, but the import barriers against their horticultural exports were phased out during a transitional period leading up to 1992. Considering the small overlap between horticultural exports from SSA and Spain and Portugal, their accession is not likely to have caused a major trade diversion away from SSA fruit and vegetables exports (CTA, 1982).[9] However, the accession of Spain and Portugal has had an indirect effect on SSA exporters. It resulted in increased pressure on the EU from other Mediterranean countries to increase preferences as compensation for their loss of competitiveness resulting from the reduction, and from 1992 onwards, elimination of trade barriers on Spanish and Portuguese exports to the Union.

At present the EU has agreements with Cyprus, Malta, and Turkey, which are potential accessors to the Union, the Maghreb countries (Morocco, Algeria, and Tunisia), and the Mashreq (Egypt, Jordan, and Syria). These countries also enjoy rebates for tariffs on agricultural exports, although they are more restricted by seasonal quotas because of the overlap between their exports and those of EU member states during a larger part of the year. Cyprus, Turkey, and the North African countries compete with SSA horticultural exports in the EU market, in particular for leguminous vegetables (only in the European season) and oranges. The erosion of SSA preferences as a result of special arrangements for Mediterranean countries will be felt especially by the exporters of these products. But it is difficult to estimate what the trade diversion and consequent loss for SSA exporters is because many non-price aspects play a role in influencing the outcome of this competition.

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[9] Since import duties have been applied to Spanish and Portuguese exports until recently, there is little evidence so far to prove whether trade has been diverted or not.

D. Other Regulations Affecting Horticultural Exports to the EU

Apart from CAP restrictions and preferential concessions, the EU market regulates the quality standards of horticultural imports. All products from non-EU countries have to comply with the Class Extra or Class I quality standards. In addition, product-specific quality standards exist for asparagus, kiwi fruit, apricots, peaches, and melons, and the imports of horticultural products produced in the EU are subject to the basic CAP regulation EU 1035/72. If imports do not comply with this regulation, which regulates the quality of the food during all stages of trading, they are ineligible for the EU market (CBI, 1993). In addition to the quality standards, the EU has introduced a phytosanitary certificate of "consumer protection." This certificate, which has to be legalized by the food inspection department of the country of origin, guarantees that the product left the exporting country in healthy condition.

The impact of these measures on the expansion of SSA horticultural exports to the EU can be fairly restrictive. First, administrations in those countries are often inadequately equipped or staffed to process requests for certificates rapidly, which is of great importance, especially for exports of fresh products. Second, they often lack information about the specific requirements involved due to the lack of transparency in the EU system. Currently there are no statutory EU obligations for packaging of fresh and processed fruit and vegetables, but various member states have their own standards regarding size of package, food labelling, and listing of contents. These regulations and quality standards can put a heavy burden on both exporters and importers. For instance, for exporting to the U.K., all firms involved in the supply chain from the SSA farmer or processor to the European retailer are held responsible for complying with the standards. Importers, therefore, must be extremely careful whom they purchase from and insist on thorough quality controls.

To summarize, SSA horticultural exports have been subject to several restrictions on market access ranging from tariff barriers and quotas, minimum prices, and health and quality standards, which can be perceived as non-tariff barriers. Preferential access and concessions on the CAP regulations granted to the ACP group, of which SSA is almost two thirds, have had an impact on the particular countries and products identified above. However, on the whole, preferential access to the EU has not had a major impact on SSA horticultural exports to the EU compared with exports from other developing country regions, which in turn do not seem to benefit from their own preferences to a great extent. Some countries with the least favorable market access to the EU have been most successful in actually expanding and diversifying their EU horticultural exports. In the next section the changes in the international trading environment affecting the horticultural sector will be assessed to see whether the changes will improve the prospects for current and potential SSA exporters of horticultural products to the EU market in the future.

III. Impact of Changes in the Regulatory Environment on SSA Exports of Fruit and Vegetables

A. The Uruguay Round

Following the Uruguay Round of multilateral trade negotiations, the Common Agriculture Policy needs to be adapted. Changes in market access agreed to during the Uruguay Round will be implemented from 1 July 1995 onwards, subject to ratification by all contracting parties of the GATT (World Trade Organization beginning in 1995). Non-tariff barriers have to be replaced by tariff equivalents in the first year of the agreement, then reduced by 36 percent on average over the five following years, together with existing tariffs (GATT, 1993). Some of the initial tariff equivalents for non-traditional horticultural exports are relatively high. For example, apricots, artichokes, cherries, zucchinis, small citrus fruit, and peaches have tariff-equivalents amounting to 20 to 40 percent; for cucumbers, lemons, and apples the figures rise to 90 to 100 percent. For tomatoes the equivalent is as high as 170 percent (*Agra Europe*, December 1993). The European offer to the Uruguay Round shows an average reduction of MFN tariffs on fruit and vegetables by 20 percent, with the exception of tropical products for which tariffs have been reduced by 50 percent. Tariffs on tropical products are relatively low, as mentioned earlier, so the absolute reductions in these tariffs are minor. For papayas, guavas/mangoes, and tamarinds, tariffs have been completely eliminated, which brings the preferential margin for SSA exporters over developed country exporters down to zero. However, the Generalized System of Preferences (GSP) rates for these products are already zero, except for tamarinds for which the GSP tariff is six percent. Therefore, the Lomé preferences for these products over those of Asian and Latin American countries are already marginal. As a result, the unweighed average CCT on fresh vegetables falls from 12.1 percent to 8.8 percent, and on fresh fruit from 12.1 percent to 9.1 percent after the Uruguay Round is implemented. On the other hand, little change is expected in the intervention in the fruit and vegetable sector. The reference price system will be substituted by an import price stabilization scheme, which is likely to be more detailed and more bureaucratic than the current system in order to comply with GATT and still offer enough protection for local producers (*Agra Europe*, 1994b).

The improved access to the EU market, following the tariffication of non-tariff barriers and reduction in tariffs, will reduce the preferential margin of SSA and other developing countries. This is likely to lead to a decline in SSA horticultural exports as a result of trade diversion to competitors and the subsequent decrease in the price competitiveness of these exports. Considering the low impact and the underutilization of the preferences so far, this effect should not be overestimated, but it is likely to adversely affect both current and potential exporters of horticultural products to the EU. The Mediterranean and other developing countries may benefit and lose from the Uruguay Round. On the one hand, they see their preferences reduced but on the other hand, they will experience improved access to the EU market for exports previously excluded from the preferential agreements. Due to the complex network of CAP regulations, which differ from product to product, it is hard to estimate how much the different exporters will lose from these changes. There will certainly be fiercer competition in the EU market, in particular from Asian, Latin American and North American exporters, who are likely to benefit most from the reduction in border restrictions on horticultural products. Aside from the preference erosion, a "new" protectionism is feared by many developing country exporters. This is especially true for the Southern members of the European Union. They express concerns about opening up the EU market, wish to see more firmly defined seasonal import restrictions, and hint that quality controls and standardization may provide some extra form of protection (*Agra Europe*, 8 July 1994). If the Commission is to respond to these wishes, the burden on SSA exporters of horticultural products will be increased.

B. The Midterm Review

When the ACP states and the EU signed the fourth Lomé Convention in 1989, the preferences for agricultural exports to the EU were incorporated for the next ten years, although the outcome of the Uruguay Round and CAP reform were then still unknown. In order to respond to the concerns of ACP countries Annex XXVII was included in Lomé IV. It provides both parties with the option of reopening negotiations on the CAP concessions in the Uruguay Round if proven that products have been adversely affected by the EU offers for improved market access. Renegotiations of the preferences on horticultural and other agricultural products were dealt with in the Midterm Review of the Lomé Convention, which took place before the last five-year period of the Convention that starts in March 1995. At the time of writing, it is not yet clear which concessions the Commission propose as compensation for ACP exporters. For horticultural exports the possibilities are, first, to increase the quotas for products which have exceeded or nearly reached the limit. They are subject to high CCT above the limited quota for which they enjoy preferential treatment. This is particularly true for apples, pears, oranges, and mandarins. Increasing quotes, however, might not be politically feasible for the EU as these products are domestically produced and the pressure from EU farmers is great. Secondly, for products where quotas have been significantly underutilized, but where tariffs or levies were only partially reduced or relaxed only during a part of the year (e.g., tomatoes, artichokes, plums, strawberries, peaches, and fresh figs), complete tariff-free or levy-free entry might stimulate exports. On the whole, however, better implementation and increased awareness about existing preferences is needed to enable ACP exporters to more fully exploit them. Aside from preferences, technical assistance in production, marketing, distribution, and transport is being negotiated, as well as a greater transparency in the EU's health and quality standards.

C. EU Enlargement

The preferences enjoyed by ACP states in the EU market will be further affected by the enlargement of the European Economic Area (EEA). The most recent "Northern" enlargement which incorporated the ex-European Free Trade Association (EFTA) members of Sweden, Finland, and Austria into the EEA in January 1995, will almost certainly have a positive impact on the ACP states. Currently these countries import most of their fruit and vegetables outside the EU from Asia and Latin America. From the official date of their accession, the ex-EFTA members will accept the Common Customs Tariff and the Lomé Convention. Access to these markets for ACP exports will be improved, therefore, and the preferential margin *vis-à-vis* Asian and Latin American countries will be extended. This could bring new opportunities for SSA exporters of horticultural products.

A future "Southern" Enlargement of the EU, which could include the accession of Malta, Cyprus, and/or Turkey, is expected to be less positive for SSA fruit and vegetables exports. According to a study undertaken for the ACP Secretariat (CTA, 1994b), the accession of Cyprus and Turkey would not cause a major trade-displacement effect. It is likely, however, that a Southern Enlargement will cause trade diversion for some individual products exported by both SSA and Cypriot or Turkish exporters. These include fresh oranges, grapefruits, melons, leguminous vegetables, eggplants, and frozen sweet peppers. No overlap of exports occurs for other fresh products so trade diversion is not expected. The enlargement will result in increased competition for SSA exporters of processed fruit and vegetables as Turkey and Cyprus together account for 15 percent and 18 percent, respectively, of the EU's imports of vegetable and fruit preparations. This might hinder the further expansion of processed exports from the less efficient SSA exporters, and thus the exploitation of the potential of the preferences on these exports, which are generally high due to the high CCT.

D. Possibility of South Africa Joining the Lomé Convention

Another major change that might affect SSA exporters of horticultural products in the near future is the enlargement of the ACP Group by the possible accession of South Africa. South Africa was granted GSP preferences in July, 1994, (*The Week in Europe*, 14/7/94) and in both the European Commission and among ACP states the possibility of South Africa becoming a member or "associate" member of the Group is under discussion. South Africa is a major exporter of fresh and processed fruit and vegetables so this would be beneficial. The country has a particularly successful deciduous fruit industry which is internationally competitive. Its most important exports are apples, pears, peaches, apricots, and grapes. Although the inclusion of South Africa could have a positive impact on SSA exports in general (through increased cumulation opportunities), the extension of Lomé preferences on fruit and vegetables is likely to be harmful for SSA exporters of those products (Page and Stevens, 1992). Within the EU, there may be a reluctance to offer to South Africa the Lomé preferences for fruit and vegetable exports to the EU. After Namibia became a signatory of the Lomé Convention, it had enormous difficulties with grape exports to the EU, which were denied preferential access. This incident can be seen as a warning for those discussing South African exports of fruit and vegetables. It is possible, therefore, that negotiations will lead to an increase in quotas for CAP concessions, or probably even the exclusion of horticultural exports from the preferences to be granted to South Africa in order to protect both SSA exporters and European farmers.

E. The Future of the Lomé Convention

The dispute between the EU and Latin American banana exporters over the compatability of GATT with the Protocol threatened not only the future of the Protocol, but also the entire

Lomé Convention. The banana dispute was settled temporarily after the EU made concessions on the size and administration of the quota for imports of Latin American bananas. But it raised more urgent questions about the future of the Lomé preferences for the ACP states. A working party of the GATT about the compatibility of the Lomé Convention with the GATT made an ambiguous decision regulations. However, a request by the EU for another waiver of the GATT for the Lomé Convention was granted late in 1994. The waiver allows the EU to keep the Lomé Convention in its existing form until February 2000, when the fourth Lomé Convention will come to an end. Nevertheless, the EU increasingly faces pressure to convert the Lomé preferences into a more global and reciprocal system of preferences, including developing countries besides those with historical links to the EU member states. This pressure is felt not only by countries outside the EU but, as was clear in the banana dispute, by some EU member states as well.

It is hard to tell what would happen if Lomé preferences disappeared and how that would affect SSA exports of horticultural products to the EU. There is reason to believe that SSA exporters would find it hard to beat the stronger competition in the EU market, especially from countries that were able to take advantage of the preferences to increase their EU horticultural exports. On the other hand, the preferential treatment is not a sufficient condition for all SSA countries to develop a strong and efficient horticultural export base. Preferences will only be meaningful if other aspects of the trade environment in these economies, such as trade policies, investment incentives, and infrastructure, are improved at the same time.

IV. Conclusion

Thanks to the special preferences that are granted to exporters of fruit and vegetables from Sub-Saharan Africa to the European Union, market access for these products has been relatively favorable when compared with market access for exports from other regions. However, all SSA horticultural exports are still subject to minimum prices due to the Common Agricultural Policy (CAP), and have to comply with strict health and quality standards when entering the EU market.

Some SSA countries, such as Kenya, Côte d'Ivoire, and Zimbabwe, have expanded their exports of particular fruits and vegetables to the EU market, such as leguminous vegetables and citrus fruit, but it is hard to prove that this growth can be attributed to the preferential treatment received. On the whole, statistical evidence does not show a distinct correlation between preferential access to the EU and the performance of horticultural exports to the EU from Sub-Saharan African countries. Moreover, countries which have enjoyed less favorable preferences, in particular some Asian and Latin American countries, experienced much larger increases in fruit and vegetables exports to the EU.

As a result of international trade liberalization, most recently in the Uruguay Round, the preferential margin of Sub-Saharan African exports of fruit and vegetables has eroded. SSA exporters will, therefore, face fiercer competition in the EU market, and trade is likely to be diverted away from SSA countries to more cost-efficient competitors. In addition, pressure is increasingly being put on the EU by some member states to globalize the Lomé Convention by extending it to other developing countries, and to improve preferential access for developing countries to the EU market when it expires in the year 2000. These recent developments, together with evidence of limited impact of past preferences on SSA fruit and vegetables exports, leads to the conclusion that SSA exporters might be better off relying less on the preferences and more on improving their competitiveness, such as overcoming infrastructural and trade policy obstacles in order to get ready for increased competition in horticultural products in the EU market. It is likely that many of the well-established exporters will have difficulty facing the stiff competition. New exporters entering the EU market will have even greater difficulty except for specific market niches.

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